

Understanding CalPERS



*The California
Public Employees'
Retirement System*

This guidebook was developed by CalPERS legislative staff to assist you in becoming acquainted with one of the more complicated departments in state government. While we do not expect the guidebook to be able to answer every question you may have about the System, we hope you find it useful. For those questions not addressed by the guidebook, or for more detail on the programs described herein, we encourage you to contact the CalPERS Legislative Representative, Susan L. Myers at (916) 326-3689. While reading this material, remember, we are governed by the California Public Employees' Retirement Law, the Internal Revenue Code, rules and regulations, which are the basis of all our decisions. The statements in this booklet are general and we have made them as simple as possible; however, the retirement law and Internal Revenue Code are complex and are subject to change. When there is a conflict, any decision will be based on the law and not on this booklet.



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Executive Summary

The California Public Employees' Retirement System (CalPERS) is a defined benefit retirement plan. It provides benefits based on members' years of service, age, and final compensation. In addition, benefits are provided for disability, death, and payments to survivors or beneficiaries of eligible members. The plan covers more than 720,000 active and inactive members and more than 330,000 retirees, survivors, and beneficiaries. CalPERS membership is divided approximately in thirds among current and former employees of the state, schools, and participating public agencies.

Members are eligible to retire at the age specified in their benefit formulas. Most members become fully vested in their retirement benefits after five years of credited service. However state Second Tier members become fully vested after 10 years of credited service.

The benefits are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member rates are defined by law and depend on the respective employers' benefit formulas. Employer contribution rates are determined by annual actuarial valuations. These valuations are based on the benefit formulas and employee groups of each employer.

Membership in CalPERS is divided by employer and by membership categories that are defined as miscellaneous (all general members), safety (for example, law enforcement and fire suppression employees), state industrial (employees of the Department of Corrections and the Youth Authority who are not safety members), state peace officer/firefighters, and California Highway Patrol.

All employees of participating public employers who work on a half-time basis or more are required to participate in the System. CalPERS administers several different retirement plans, each providing a monthly retirement allowance based on age, years of credited service, and highest average compensation over an established period of one to three years. The benefit structure for state and school employees is defined by statute. The benefit structure for public agencies

such as cities, counties, and special districts are established by contract with the System in accordance with the provisions of the California Public Employees' Retirement Law (PERL).

Constitutional and statutory law authorize the System to invest in stocks, bonds, mortgages, real estate, and other investments. Detailed schedules of investment holdings and current year transactions are in the CalPERS Annual Report of Investments, available upon request through the Office of Public Affairs.

CalPERS also acts as a multi-employer group purchaser of health insurance to provide more than one million people comprehensive and affordable health care.

In addition to retirement, disability, and health programs, CalPERS administers several other programs including the Legislators' Retirement System, the Judges' Retirement System, the Judges' Retirement System II, the Deferred Compensation Program, the Member Home Loan Program, and the Long-Term Care Program. CalPERS also administers the state's contract with the federal government for Social Security.

CalPERS is administered by a 13-member Board of Administration consisting of elected, appointed, and ex officio members. The Board has plenary authority over the System's administration and investment decisions. The Board is supported by an 11-member executive staff and over 1,000 professional employees.

Fast Facts About CalPERS

- CalPERS mission is to advance the financial and health security for all who participate in the System. We will fulfill this mission by creating and maintaining an environment that produces responsiveness to all those we serve.
- CalPERS is a defined benefit plan whose retirement benefit is based on the member's age at retirement, years of service with a CalPERS employer, and final compensation.
- CalPERS membership consists of state employees, classified (nonteaching) school employees, and employees of over 2,400 public agencies that have contracts with CalPERS.
- CalPERS was established by legislation in 1931 and became operational in 1932 for state employees only. In 1939, other public agencies were allowed to contract with the System to provide retirement benefits for their employees.
- In 1962, the Public Employees' Medical and Hospital Care Act (PEMHCA) authorized CalPERS to provide health coverage for state employees. Local public agencies were allowed to participate in PEMHCA on a contract basis five years later.
- CalPERS is administered by a 13-member Board of Administration consisting of elected, appointed, and ex officio members who have a fiduciary responsibility to the members of CalPERS.
- An 11-member executive staff manages CalPERS and directs the System's more than 1,000 employees.
- CalPERS is the largest pension fund in the nation and the third largest in the world. CalPERS is a major institutional investor with over \$108 billion in assets.
- CalPERS has a major impact both nationally and internationally in the areas of health care, retirement, investment markets, and shareholder activism.
- CalPERS is headquartered in Sacramento and has field offices in Fresno, Los Angeles, Orange County, San Bernadino, Sacramento, San Diego, San Francisco, and Santa Clara.

Legislative History

Chapter 431, Statutes of 1927, established a commission for the purpose of studying and making recommendations regarding the establishment of retirement pensions for state employees. In 1929, the Committee on Pensions of State Employees recommended the establishment of a state employees' retirement system, placed on a "sound financial basis, where liabilities are provided for as they are incurred, rather than when they mature."

In 1930, former Article IV, Section 22a was added to the state constitution authorizing the Legislature to provide for the payment of retirement salaries to state employees. The following year, the Legislature enacted Chapter 700, Statutes of 1931, which established the State Employees' Retirement System. On January 1, 1932, SERS became operational.

Chapter 927, Statutes of 1939, authorized any "municipal corporation" in the state to contract with SERS to cover their employees for retirement benefits. Chapter 640, Statutes of 1943, expanded the System to include any public agency in the state that chose to contract with SERS for coverage. In 1967, legislation was passed changing the SERS name to the California Public Employees' Retirement System to reflect the participation of public agencies in the System.

In 1947, CalPERS became responsible for managing the Legislators' Retirement System (LRS) which provides benefits to legislators, constitutional officers, and certain legislative employees. LRS became a closed retirement system when the voters passed Proposition 140 prohibiting legislators first elected in November 1990 and thereafter from receiving retirement benefits.

CalPERS also administers the Judges' Retirement System (JRS) and the newly created second tier Judges' Retirement System (JRS II).

JRS was created in 1937 and was administered by the State Controller until 1979 when it was transferred to CalPERS.

JRS II was created in 1994 in response to the high cost and growing unfunded liability of JRS.

In 1962, the Legislature enacted the Meyers-Geddes State Employees' Medical and Hospital Care Act (Chapter 1236, Statutes of 1961) to provide health benefits coverage to active and retired state employees. CalPERS has administered the program since its inception. Chapter 1455, Statutes of 1967, extended the health benefits program to any public agency electing to contract with the board for coverage. The program's name was changed in 1978 to the Public Employees' Medical and Hospital Care Act to reflect the participation by public agencies and is referred to by the acronym PEMHCA (pronounced PEM-ka).

In 1980, CalPERS was given the responsibility of administering a newly created program for volunteer firefighters. The Volunteer Firefighters' Length of Service Award System (VFLSAS) is designed to provide a monthly award to volunteer firefighters who have served for at least 10 years. The program is paid for by fire departments that contract with CalPERS for the program.

In 1991, AB 702 (Chapter 83) transferred significant control over actuarial functions from the CalPERS Board to an actuary appointed by the Governor. Additionally, the legislation repealed statutes that provided for various special accounts and directed the funds from those accounts be used to offset employer contributions. AB 702 also closed entry into the First Tier retirement plan by requiring new state employees to be placed in the Second Tier plan. The Second Tier provides a lower level of benefits and thus, a lower liability to the State.

In November 1992, a statewide initiative was passed, Proposition 162, which amended Article XVI, Section 17 of the California Constitution. It established the Board's plenary authority over the administration and investment of public retirement funds and returned the actuarial function to the CalPERS Board.

An official report from the Legislative Analyst's Office titled—The State's Retirement Systems: Fiscal Issues For 1993-94—describes the effects of Proposition 162 as follows:

Grants to each public retirement board in the state "plenary" authority for investment of retirement trust monies and

administration of retirement systems, notwithstanding any other provisions of law or the State Constitution to the contrary. The Act permits the Legislature to continue to prohibit certain investments by boards. ...where it is in the public interest to do so, and provided that the prohibition satisfies the standards of fiduciary care and loyalty required of a retirement board.

Maintains the requirement that boards provide benefits to system members and their beneficiaries, minimize costs to governments for employer contributions, and provide for reasonable costs of administration, but specifies that the provision of benefits take precedence over the other two mandates.

Specifies that the Legislature cannot change terms and conditions of board membership (for boards with elected employee members), unless a majority of the persons registered to vote in the jurisdiction of the system approves the change.

CalPERS is committed to working with the Legislature and the Governor on public employee retirement and health care issues while maintaining its fiduciary duty to its members.



CalPERS Board of Administration

Constitutional and statutory law give plenary authority to the Board of Administration over CalPERS. The Board has exclusive control of the administration and investment of retirement fund assets, the authority to administer and hear appeals on membership and benefit issues, and all powers reasonably necessary to carry out the medical and hospital care program. The Board's responsibilities include setting the employer contribution rates, determining asset allocation, providing periodic actuarial valuations, fixing appropriate rates of interest, and much more. However, the Board does not have authority to add, delete or change benefits without going through the legislative process.

The Board consists of 13 members that are elected, appointed, or hold office ex officio. The composition of the Board is mandated by law. According to the California Constitution, the composition of the Board cannot be changed unless a majority of the registered voters in the state approve. The composition of the Board is as follows:

6 Elected Members

- Two members elected by and from all CalPERS members.
- One member elected by and from the active state members of CalPERS.
- One member elected by and from active CalPERS school members.
- One member elected by and from active members employed by all contracting public agencies.
- One member elected by and from the retired members of CalPERS.

3 Appointed Members

- An elected official of a contracting public agency appointed by the Governor.
- An official of a life insurer appointed by the Governor.
- A public representative appointed jointly by the Speaker of the Assembly and the Senate Rules Committee.

4 Ex Officio Members

- The State Treasurer.
- The State Controller.
- The Director of the Department of Personnel Administration.
- One member appointed by the State Personnel Board.

The Committee Structure

The Board has established several committees to review and report on specific programs, projects, and issue areas. Each Board member serves on at least one committee. Standing committees typically meet once a month as does the full Board. The current CalPERS Board committees are these:

Finance Committee

This committee is charged with assisting the Board in meeting its financial oversight responsibilities and developing the System's budget.

Benefits and Program Administration Committee (BPAC)

This committee reviews and makes recommendations on all issues relating to benefit program structure, actuarial studies and rate settings, retirement program policy, and System administration.

Executive Performance and Compensation Committee

This committee evaluates compensation mechanisms and criteria, develops policies and procedures and makes recommendations concerning compensation of key personnel.

Health Benefits Committee

This committee reviews health benefit plans and premium rates and makes recommendations on all health issues.

Investment Committee

This committee reviews investment transactions, oversees investment consultants, and develops investment policy and strategy. Two subcommittees report to the Investment Committee: Policy and Real Estate.

Strategic Planning Committee

This committee develops and makes recommendations defining CalPERS goals and objectives and strategies to achieve them.

CalPERS Executive Staff

The Board delegates broad responsibilities in administering the System to the Chief Executive Officer who in turn delegates functional responsibilities to the Assistant Executive Officers and other System managers:

Chief Executive Officer

The Chief Executive Officer is responsible for the System's overall administration.

Deputy Executive Officer

The Deputy Executive Officer serves as the chief operating officer under the Chief Executive Officer.

General Counsel

The General Counsel is responsible for managing the Legal Office and representing the System's interest in appeals. Also, for overseeing the activities of all outside counsel firms, including the Attorney General's office. The General Counsel is also responsible for the Corporate Governance Program and for oversight of the Office of Audit Services.

Chief Investment Officer

The Chief Investment Officer is responsible for the overall investment strategy at CalPERS.

Chief Actuary, Actuarial Office

The Chief Actuary is responsible for the System's actuarial valuations and reports.

Assistant Executive Officer, Investments Office

This AEO is responsible for the administration and management of the investment office and the System's fund managers.

Assistant Executive Officer, Member and Benefits Services

This AEO is responsible for services to members and benefit related issues. The AEO administers the Legislators' Retirement System, the Judges' Retirement Systems, and the Volunteer Firefighters' Length of Service Award.

Assistant Executive Officer, Governmental Affairs, Planning and Research

This AEO is responsible for representing the System before the Legislature, the Governor, and Congress, as well as for managing the research and development of new programs.

Assistant Executive Officer, Financial and Administrative Services

This AEO is responsible for managing the System's financial accounting systems, budgets, information technology, human resources and administrative and general support programs.

Assistant Executive Officer, Health Benefit Services

This AEO is responsible for the administration of the PEMHCA health benefits program and the Long-Term Care program.

Chief, Office of Public Affairs

The Chief is responsible for coordinating internal and external communications and outreach and serves as CalPERS spokesperson.

CalPERS Staff

CalPERS is organized into functional divisions that are managed by Division Chiefs who report to their respective Executive Officer. The current divisional structure is as follows:

- Actuarial and Employer Services
- Benefit Application Services Division
- Change Management Office
- Field Services Division
- Fiscal Services Division
- Health Benefit Services Division
- Health Plan Administration Division
- Human Resources Division
- Investment Office
- Information Technology Services Division
- JRS/LRS/VFF
- Legal Office
- Member Services Division
- Office of Audit Services
- Office of Governmental Affairs
- Office of Long-Term Care
- Office of Public Affairs
- Operations Support Services Division
- Planning and Research Division
- Post-Retirement Services Division

Membership Information

CalPERS is a trust fund created and administered in accordance with the State Constitution and the California Public Employees' Retirement Law solely for the benefit of the System's members and retired members, survivors and beneficiaries.

CalPERS members are public employees who work for or retired from the state, school districts, or other public agencies that contract with the System for employee benefits.

CalPERS members and their survivors and beneficiaries constitute a group of more than one million people.

Approximately one third of members are state employees who work for state departments such as CalTrans, the Department of Education, and the California Highway Patrol.

Another third of members are classified school employees that work in California's public schools in positions such as custodians, cafeteria workers, bus drivers, and clerical staff.

The final third are employees who work for certain counties, cities, and service districts such as fire and water districts which have contracted with CalPERS for retirement benefits.

CalPERS members fall into five general membership categories that determine under what retirement formula they are eligible:

Miscellaneous Members

These are staff, operational, supervisory, and all other eligible employees who are not in special categories.

Peace Officer/Firefighter Members

These are state members employed in positions such as Correctional Officer, State Park Ranger, Parole Agent at agencies like the Department of Corrections. Fish and Game, Department of Parks & Recreation. These positions are defined by law under the Government Code and/or defined by the Department of Personnel Administration.



Retirement and Disability Benefits

Industrial Members

These are state employees of the Department of Corrections and the California Youth Authority who have the same service retirement and other benefits as miscellaneous members but who have additional benefits for job-related death and disability under specified circumstances.

California Highway Patrol Members

These are sworn employees of the California Highway Patrol.

Safety Members

These are divided into either state safety or local safety members. State safety members are positions specifically designated in the Government Code and/or are so designated by the Department of Personnel Administration. Local safety members employed in public agencies other than the state in positions such as firefighter, police officer, deputy sheriff and other employees whose duties are those of active firefighting or active law enforcement or who are designated safety members by contract amendment or by the Government Code.

CalPERS primary purpose is to provide retirement and disability benefits to our members so that employees who have dedicated their careers to public service may enjoy some financial security in their retired years. There are four basic types of retirement benefits in the System:

Service Retirement

This is the “normal” retirement benefit paid to employees who have met eligibility requirements for age and years of service with a CalPERS employer and who are ready to retire.

Disability Retirement

This is a benefit paid to members who become disabled and can no longer work.

Industrial Disability Retirement

This is a benefit paid to specified members who sustain injuries/illnesses that occur on the job and result in permanent disability. Eligible members include CHP members, state and local safety members, state peace officers/firefighters, state industrial members under certain circumstances, and local miscellaneous members whose agency has contracted for the benefit.

Death Benefits

These are the various benefits payable to a member’s survivor or beneficiary upon the death of the member.



Service Retirement

CalPERS members retiring on a service retirement receive benefits based on their classification. Benefits for state members also depend on whether the member is in the First Tier plan or the Second Tier plan. The First Tier plan provides a higher allowance upon retirement but also requires that the member contribute a monthly amount during his or her career. Currently, all new state employees are restricted from the First Tier plan and must enroll in the Second Tier plan. Benefits for local members vary depending on the public employer's contract with CalPERS.

State Miscellaneous and State Industrial Members (First Tier), School Members, and Local Miscellaneous Members: 2% at 60 Formula.

At age 60, the member receives 2 percent of final compensation for every year of credited service. Thus, if the member worked for the state for 30 years and had a final compensation of \$5,000 per month the benefit would be 60 percent (30 years x 2%) of the \$5,000 which equals \$3,000 per month. The 2 percent is reduced progressively for a member who retires before age 60 and increased to a maximum of 2.418 percent for retirement at age 63.

State Miscellaneous and State Industrial Members (Second Tier): 1.25% at 65 Formula

The Second Tier formula pays significantly less than the First Tier. At age 65, the member receives 1.25 percent of final compensation for every year of credited service. (Note that the member does not receive the full value of the formula until age 65 as opposed to age 60 under the First Tier.) Thus, at age 65, if the member has worked for the state for 30 years and has a final compensation of \$5,000 per month, the benefit would be only 37.5 percent (30 years x 1.25%) of the \$5,000 which equals \$1,875 per month.

Local Miscellaneous Members: 2% at 55 Formula

Local public agencies such as cities, counties, and special service districts may contract with CalPERS to offer this enhanced retirement formula to their miscellaneous members. It is similar to the 2% at 60 Formula except that the member receives the full value of the formula at age 55 rather than age 60.

Formulas for Safety Members

CalPERS service retirement formulas for safety members generally provide full benefits at an earlier age than non-safety formulas. In part, this is in recognition that safety employees work in potentially life-threatening positions that are often very physical. Thus, they may on average be less able to continue their careers through ages 60 to 70. The safety service retirement formulas include:

Patrol Members and Local Safety Members: 2% at 50 Formula

The member receives 2 percent of final compensation for each year of service for retirement at age 50. The formula factor increases up to age 55. The maximum benefit payable is 75 percent of final compensation for local members and 80 percent for state members.

State Safety Members and Local Safety Members: 2% at 55 Formula

The member receives 2 percent of final compensation for each year of service retirement at age 55. Under this formula, the member may retire as early as age 50 but would receive a reduced benefit rate. The maximum benefit payable is 75 percent of final compensation for local members and 80 percent for state members.

Local Safety Members: Half Pay at 55 Formula

This formula is no longer available from CalPERS as a contract option and only a few local agencies are still covered under it. The member receives one-half of his final compensation at age 55 with 20 years of credited service.

Peace Officer/Firefighter Members: 2.5% at 55 Formula

Provides 2.5 percent of final compensation per year of credited service at age 55 with a maximum benefit payable of 75 percent of final compensation for local members and 80 percent for state members.

Local Safety Members: 2.35% at 56 Formula

Provides 2.35 percent of final compensation per year of credited service at age 56 with a maximum benefit payable of 75 percent of the member's final compensation.

Disability Retirement

Disability benefits are provided to employees who become incapacitated and can no longer perform their job duties.

Standard Disability Benefit

Generally, the disability benefit for most members is approximately one-third of their final compensation. However, under certain circumstances a member may receive a disability benefit equal to 1.8 percent of final compensation for each year of service.

Some Local Agency Members

Local public agencies such as cities and counties can contract with CalPERS to provide their employees with an enhanced disability benefit. Under this Local Agency benefit, a member would receive a monthly allowance of 30 percent of his final compensation plus an additional 1 percent for each year of service the member had over five years for a maximum of 50 percent. A member with 10 years of service and final compensation of \$5,000 per month would receive 30 percent of the \$5,000 plus an additional 5 percent of the \$5,000 for the additional years worked. Thus, the monthly disability allowance would be \$1,750 per month.

State Second Tier Members

State employees in the Second Tier retirement plan who become disabled generally receive a monthly allowance of 33.3 percent of final compensation. Under certain circumstances, a member may receive an allowance equal to 1.125 percent of final compensation for each year of service. In order to receive a disability benefit from CalPERS, the member must be vested in the retirement system. Second Tier members are required to have 10 years of service with a CalPERS employer in contrast to five years under the First Tier plan. Thus, Second Tier members must also have at least 10 years service before they can collect a disability benefit.

Industrial Disability

CalPERS is responsible for determining whether most state and all school members are disabled and eligible for industrial disability benefits. Under the state Industrial Disability Retirement (IDR) Plus Program, the Department of Personnel Administration determines eligibility for industrial disability for certain state employees. Also, industrial disability eligibility for local public agency members is determined by local public agencies pursuant to their own evaluation.

Standard Industrial Disability Benefit

Eligible members receive an industrial disability benefit if they can no longer perform their jobs due to injuries or illness sustained on or resulting from their jobs. Generally, the benefit is equal to 50 percent of final compensation. For members in the IDR Plus Program, the benefit may be up to 60 percent of final compensation. However, if the member was employed in his job category after January 1, 1980, he cannot receive an industrial disability benefit greater than the regular service retirement he would have received had he been able to work until full retirement age.

Some Local Agency Members

Local public agencies can contract with CalPERS to provide an increased industrial disability benefit to their employees. Eligible members would receive 75 percent of their final compensation if found to be totally disabled.

Local public agencies can also contract with CalPERS to provide their employees with an industrial disability benefit of 50 percent to 90 percent of the member's final compensation. This is dependent on a rating of the severity of the disability by the Worker's Compensation Appeals Board.

Death Benefits

CalPERS members are eligible for various death benefits depending on their membership category, employer, their retirement eligibility status, and other factors. The benefits range from a simple return of the employee's contributions plus interest to an allowance payable to the member's spouse equal to what the member would have received upon retirement.

Please keep in mind that because each member's retirement benefits can vary significantly depending on the member's circumstances and data, questions relating to specific situations should be addressed to CalPERS staff for a more accurate description of the member's benefit.



Investments

CalPERS is a pre-funded retirement system in which employers and employees contribute funds now to pay for a benefit that will be received at retirement. A pre-funded system stands in contrast to a "pay-as-you go" system where employers pay for the benefits as they come due at retirement. The advantage of a pre-funded system is that funds set aside today are invested and earn a return to offset the cost of the benefits paid in the future, thereby lowering the total cost to the employer.

CalPERS controls assets of more than \$108 billion, (as of December 31, 1996) making the System the largest public pension fund and one of the largest institutional investors in the nation. The CalPERS Board of Administration has sole responsibility for the management of the System's assets. Moreover, the Board has a fiduciary responsibility to the members of the System and can only make investments that meet the "prudent expert" standard. The prudent expert standard requires a fiduciary to make investment and administrative decisions in a manner that a prudent, knowledgeable expert in the same field with similar responsibilities would also make.

The Board operates under an investment policy designed to generate the best total returns on a long-term basis at an acceptable level of risk. Professional staff and external managers, advisors, and consultants provide research, analysis, and recommendations on investment strategy and transactions.

The CalPERS portfolio is diversified into several different investment sectors so that over the long run any weaknesses in one area are offset by gains in another. The Board sets ranges targeting the percentage of the System's funds that should be invested in each asset class. The different asset classes in which CalPERS invests are as follows:

- Domestic Equities
- Domestic Fixed Income
- International Equities
- International Fixed Income
- Real Estate
- Alternative Assets
- Cash Equivalents
- Private Equity

While the majority of CalPERS assets are invested in domestic stocks, bonds and real estate, CalPERS is increasing target allocations in other asset classes to take advantage of opportunities in emerging markets and private joint ventures.



Investing in California

The recent economic recession in California has led some public officials to suggest that CalPERS and other California public pension funds should increase their investments in California in order to stimulate the state's economy. However, it is important to understand that the Board's fiduciary responsibility to the System's members precludes CalPERS from making investments unless the investment is one which a prudent expert, acting in a like capacity and familiar with such matters, would also make. Thus, CalPERS cannot legally invest in California simply to stimulate the state's economy but rather can only invest where it makes fiscal sense to do so.

CalPERS faces other restrictions to increasing investments in California. For example, CalPERS does not purchase California tax-exempt municipal bonds because as an entity of the state, CalPERS is already constitutionally exempt from state and local taxes. Since tax-exempt municipal bonds pay lower yields than taxable bonds, such an investment, without the tax advantages that accrue to "normal" investors, would provide significantly lower returns than other fixed-income opportunities. Moreover, federal tax law limits public pension funds from investing in member organizations in order to prevent "self-dealing."

Notwithstanding these limitations, CalPERS does recognize the significant investment opportunities California has to offer. California investments and commitments were approximately 13 percent of the System's total assets (as of December 31, 1996). The following breakdown illustrates CalPERS investments and commitment to California:

Equities	\$6.4 Billion
Fixed Income	\$4.5 Billion
Real Estate	\$3.0 Billion
Total California Investments/Commitments	\$13.9 Billion

Since December 31, 1993, the Board has approved an additional several million dollars for investments in California through the following actions:

- Committed \$100 million to Alta California Fund to information technology and life science companies in California.
- Authorized \$25 million to Bastion Capital Fund, L.P., to invest in minority-owned businesses.
- Approved \$50 million to California Community Bank & Thrift Fund, L.P., for community banks & thrifts.
- Committed \$25 million to Fairview Capital, L.P., to minority-owned venture capital funds.
- Authorized \$45 million to Kline Hawkes California, L.P., to invest in small and later-stage businesses.
- Approved \$100 million to Levine Leichtman Capital Partners, L.P., for lower middle-market companies.
- Committed \$60 million to Triumph-California Limited Partnership for upper middle-market companies.
- Authorized \$150 million to Bridge Housing Corporation, joining World Savings and Wells Fargo in the financing and development of low income and affordable multifamily/single family projects in California.
- Allocated up to \$475 million for investment in single family housing development in California by partnering with selected home builders to provide construction financing.
- Approved \$50 million in investments specifically targeting retail properties in California urban areas for investment.
- Approved a \$100 million investment in Kennedy Associates for the construction of new or rehabilitated commercial and multifamily properties in California.
- Approved \$445 million in investments for land acquisition and development for single family housing in California.

CalPERS will continue to seek out investment opportunities in California that will both stimulate economic growth in the state and provide an appropriate return to the System.

Funding the System

Three factors form the funding mechanism for CalPERS retirement benefits: a set employee contribution established by law, the investment return on the System's assets, and an employer contribution that makes up any difference necessary to meet the agency's liabilities.

With the exception of members in the state Second Tier plan, each member of CalPERS contributes a specified percentage of his or her salary to the System. The percentage varies according to member classification and is set by law. Currently, employee contributions range from 4 percent to 9 percent of salary. Some employee groups negotiate agreements with their employer whereby the employer pays the employee contribution in addition to an employer contribution.

CalPERS is one of the nation's largest institutional investors with assets of more than \$108 billion. The System invests in stocks, bonds, real estate, and other investment vehicles that generate a return used to help fund members' retirement benefits and offset employer costs.

Employer contributions balance out the System's funding through contribution rates that are determined by annual actuarial valuations based on the employer's retirement formula and the employee groups of each employer.

CalPERS actuaries determine each employer's liability using the Entry Age Normal Costing Method. This method defines the normal cost of the retirement benefit as a level amount necessary to fund the employee's total projected retirement benefit as if it were paid annually from the date of employment until the date of retirement. The employer contribution rate includes a component to cover a portion of any unfunded liability the employer may have. School and public agency employers can finance unfunded liabilities associated with their pension obligations for a period not to exceed 30 years. The state is financing unfunded liabilities over a 40-year period. System-wide, CalPERS funding level is 96.4 percent as of 1993.

Corporate Governance

CalPERS has developed a reputation as a leader in shareholder activism in the corporate world. In reality, CalPERS is merely acting in accordance with its fiduciary responsibility to maximize trust assets. Thus, the Board seeks to identify corporations in which the System is invested that are under-performing because of systemic problems in their governance structure. CalPERS attempts to work with those corporations to resolve underlying governance problems through dialogue with CEOs and company directors. If appropriate, CalPERS utilizes its



Health Benefits

The Public Employees'

Medical and Hospital Care Act (PEMHCA)

In addition to providing retirement and disability benefits, CalPERS administers the Health Benefits Program for the state and for those school and public agency employers that contract with CalPERS for health benefits. The health program, governed by and referred to as PEMHCA (Part 5 of the California Public Employees' Retirement Law), is separate from the retirement program. Public employers that wish to contract for PEMHCA benefits are not required to contract for retirement benefits. Conversely, employers may contract for the retirement benefits without contracting for PEMHCA benefits.

Fast Facts

- CalPERS is a group purchaser of employee health benefits for public employers.
- CalPERS is the largest purchaser in the state, the second largest in the nation.
- The program covers active employees, retirees, and their dependents.
- The CalPERS purchasing pool consists of more than 1 million covered lives, which gives CalPERS considerable negotiating power with contracting health plans.
- CalPERS requires contracting health plans to offer a standardized benefits package so that our members can easily compare participating plans and choose the one that is best for them.
- PEMHCA offers a variety of plans, including HMOs, employee association plans, and self-funded, preferred-provider organizations.
- Employers contracting for PEMHCA must provide a contribution for health benefit premiums for their active employees and retirees.
- Employees cannot be denied enrollment because of preexisting conditions. The large pool of covered lives provides stability and permits individual member costs to be absorbed within the pool.
- The annual open enrollment period permits employees to make changes to their coverage.

CalPERS is a multi-employer purchaser of health care for the State of California, over 1,000 California public agencies and school employers, and the California State University System. The program provides health care coverage to more than 1 million covered lives, making it the largest risk pool for health coverage in the state. More than 200,000 members of the program are retirees and their dependents. Between 1989 and 1996, the number of participating public and school employers rose from 452 to 1,064. During that same period, the number of participating school employers increased from six to 91.

PEMHCA is an attractive option for public agencies wishing to provide their employees with quality health care benefits. The program offers comprehensive, affordable health plans and, unlike many employers, a wide selection of plans from which to choose. Basic coverage is offered to active employees, and Supplement to Medicare or Managed Medicare coverage is offered to members who are retired and/or 65 years of age or older.

PEMHCA currently offers numerous health plans in California, including Health Maintenance Organizations (HMOs), self-funded preferred provider organizations (PPOs), and four association plans. The annualized premium for the programs is in excess of \$1.5 billion, including \$100 million per month in employer contributions.

Rates and benefits for the PEMHCA program are set for a calendar year. Contracts are subject to annual renewal. For 1997, the overall premium rate for all Basic health plans was reduced by 0.7 percent. Premium rates for HMOs decreased 1.4 percent. Premium rates the Self-Funded plans decreased 0.5 percent.

The year 1997 marked the fourth year of consecutive premium reductions. The de-escalation of premium rates has been due in part to the large size of the risk pool; the increased collection of cost, performance, and quality of care data; a tough negotiation stance based on health plan performance and the delivery of quality care to members; and CalPERS establishment of partnerships with health plans to continue to improve the delivery of care to members.

In 1989, CalPERS consolidated its fee-for-service plans into one self-funded PPO – PERSCare. This plan has consistently been the most expensive of all CalPERS health plans. A second PPO alternative, PERS Choice, was introduced in 1993 to provide members a second, more affordable freedom of choice plan option. Self-funding reduces the administrative cost that insurance carriers would otherwise charge to insure the plans, thus reducing the overall costs. Self-funding also enables CalPERS staff to take an active role in plan management and to have a greater influence in stabilizing premiums and benefit levels.

Participating public agencies receive one monthly bill for all employees and annuitants. The agency's bill includes the total premium for the employees, the employer share of the premium for the retirees, and the assessment for the administrative fee. For school districts, CalPERS and State Teachers' Retirement System (STRS) members, CalPERS collects the difference in the premium and the district's employer share from the member's allowance.

CalPERS assesses an administrative fee of one-half of one percent of the total gross monthly premiums. The administrative fee supports all of the administrative costs incurred by the program.

Under PEMHCA, health coverage for the employee continues into retirement. The former employee or his or her survivor receives a contribution from the employer toward the cost of the premium just as before retirement. The amount of the employer's contribution is usually subject to collective bargaining agreements but cannot be less than \$16 per month (except as provided below).

State employees first hired on or after January 1, 1985, are required to meet statutory vesting requirements before they are eligible to receive the full or prorated employer contribution upon retirement. Public agencies and schools are not currently permitted to require a vesting requirement of their employees.

Each public agency has a policy or agreement in place for providing their former employees a contribution towards

the cost of their program. The agencies that elect to join the CalPERS program must choose from two options — equal contribution or unequal contribution.

The equal contribution option requires the district to provide a contribution of at least \$16 per month for employees and retirees.

The unequal contribution option requires an initial employer contribution for retirees of \$1 per month with annual increases of at least 5 percent of the employer contribution for the employees until such time as the contributions for employees and retirees are equal.

Public agencies may elect to enroll all of their employees and retirees or may contract for the members of one or more individual employee organizations within the agency. An agency may join any month of the year by filing a resolution with the CalPERS by the 10th day of any month for the coverage to become effective the first day of the following month.



Standard Benefit Package HMO Model Basic Plan

The following tables display the 1997 Basic HMO standard benefit package offered by a Basic Plan Comparison of PERSCare and PERS Choice.

Benefits	Copay And/Or Benefit Limits
Hospital	
Inpatient	No charge
Outpatient-Surgical, room fee, radiation, chemotherapy treatment, renal dialysis	No charge
Physician Services	
Office visits	\$5/visit
Allergy Testing/Treatment	\$5/visit
Eye Exam (not a refraction)	\$5/visit
Hearing Exam/Testing	\$5/visit
Immunization/Inoculation	\$5/visit
Gynecological Exam	\$5/visit
Periodic Health Exam	\$5/visit
Eye Refraction	\$10/visit for age 17 and under. Varies by plan for age 18 and over and limited to one visit per year.
Well Baby Care	\$5/visit
Inpatient and Hospital visits	No charge
Surgery/Anesthesia	No charge
Diagnostic X-Ray/Lab	
Outpatient diagnostic x-ray and laboratory services	No charge

Benefits	Copay And/Or Benefit Limits
Prescription Drugs	
	\$5/prescription Up to 30 day supply for short-term or acute illnesses. 90-day supply for drugs which are taken over long term periods (maintenance drugs).
Mail Order Program	Optional — Plans encouraged to offer mail order program if cost effective. Plans may provide more than a 30 day supply.
Durable Medical Equipment (including orthotics and prosthetics)	
.....	No charge
Maternity	
Pre and Postnatal Care	\$5/visit
Hospitalization	No charge
Nursery Care	No charge
Infertility Testing/Treatment	
(excludes in vitro-fertilization) ...	50% of charges
Contraceptive Devices/Fitting ...	\$5/visit; \$5/device (diaphragm)
Ambulance	
Air or ground ambulance services when medically necessary	No charge
Emergency Care/Services	
	\$50 maximum visit. Waived if hospitalized.
Emergency care for alleviation of sudden, serious, and unexpected illness, injury or condition requiring immediate diagnosis and treatment.	

Benefits	Copay And/Or Benefit Limits
Mental Health	
Inpatient	No charge. Up to 30 days per calendar year.
Outpatient	\$20/visit. Up to 20 visits per calendar year.
Substance Abuse	
Inpatient	No charge. Detoxification only.
Outpatient	\$5/visit. Up to 20 visits per calendar year.
Home Health Services	
	No charge
Skilled Nursing Care	
	No charge. Up to 100 days per calendar year.
Physical/Occupational Speech Therapy	
	Limited to short-term therapy for period not exceeding 60 consecutive calendar days per condition following the date of the first therapy sessions. Applies to each therapy. No charge for inpatient visits at a hospital or skilled nursing facility. \$5/visit for outpatient and home visits.
Acupuncture	
.....	Not covered
Chiropractic	
.....	\$5/visit - up to 20 visits per calendar year (if offered by health plan)
Blood and Blood Products	
.....	No charge



Other Programs

Legislators' Retirement System

The Legislators' Retirement System (LRS) is a separate retirement system that provides retirement benefits to statutory officers, constitutional officers, and members of the California State Legislature who were elected or appointed before November 1990. Legislators elected in November 1990 and thereafter are prohibited by Proposition 140 from receiving retirement benefits. However, statutory officers, constitutional officers and legislators who were in office before November 1990 may continue to accrue benefits in LRS. (A legal challenge to the validity of Proposition 140 is now pending final resolution in the courts. If this challenge succeeds, the officers and legislators would again be eligible to join LRS.) Although LRS has been actuarially funded since 1977, the system continues to maintain a sizable unfunded liability. The Legislature will need to increase funding to LRS in order to address the unfunded liability.

Judges' Retirement System

The Judges' Retirement System (JRS) is also a separate retirement system for members of the state judiciary. The JRS is a "pay-as-you-go" system that requires annual General Fund appropriations to support the current payment of benefits to retired judges.

The Judges' Retirement System II is a second tier plan for California judges who are first elected or appointed after November 8, 1994. Membership in JRS plan was closed in 1994. JRS II will be actuarially funded, as a unique combination of defined benefit and monetary credit plans.

Volunteer Firefighters' Length of Service Award System

The Volunteer Firefighters' Length of Service Award System is a program that enables fire departments to offer their volunteers an incentive as well as monetary acknowledgment for their steadfast service. The program was established by legislation which went into effect January 1, 1980.

Deferred Compensation Program

The Deferred Compensation Program allows participating members to build supplemental retirement income through

a safe, efficient, tax-deferred savings program. All public employees (other than State members) are eligible for the program. (The Department of Personnel Administration administers the program for state workers.)

Supplemental Contributions Program

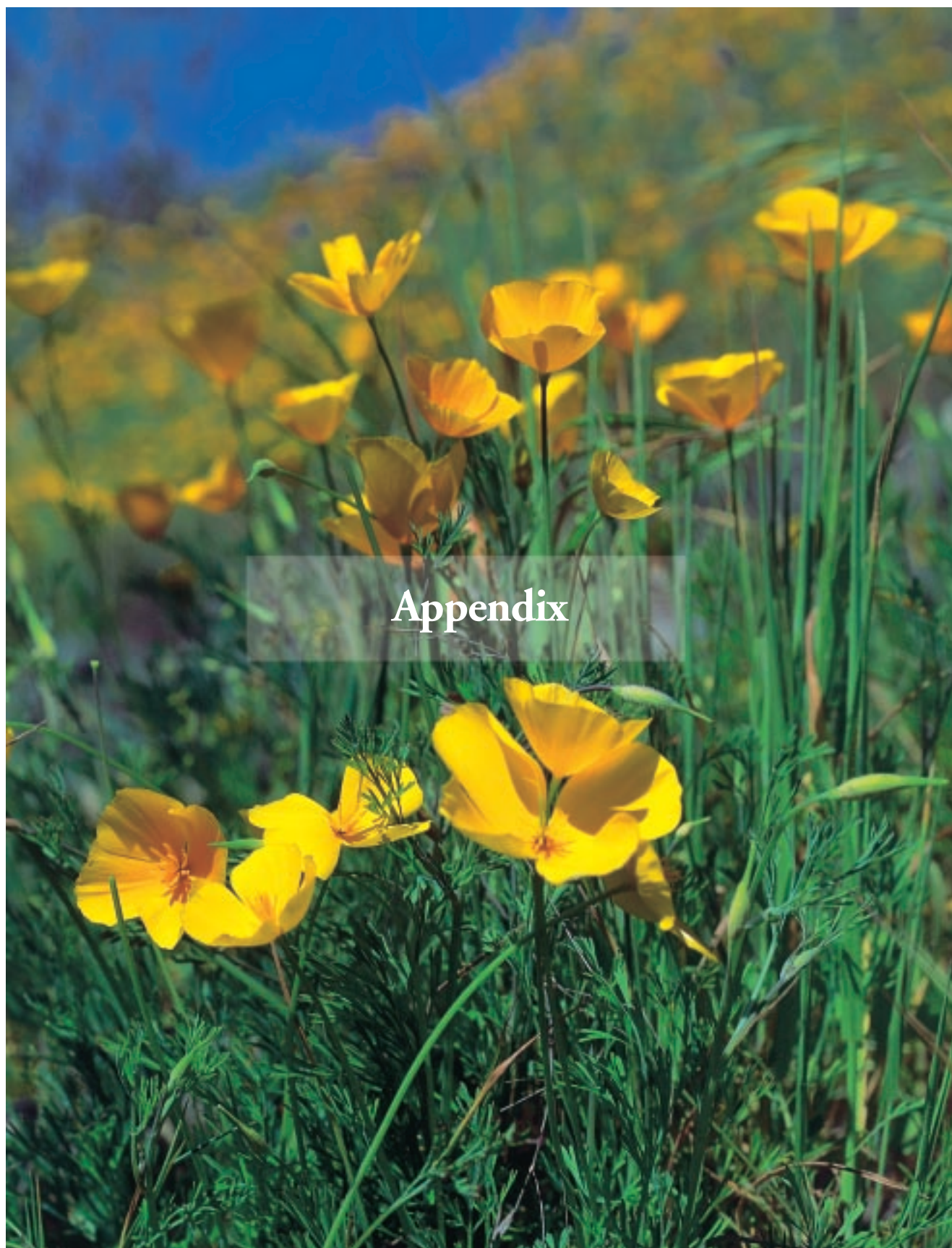
As a retirement savings complement, CalPERS established this defined contribution program. While contributions are made after tax, any earnings received are tax deferred. Contributions can be made either by payroll deduction or in cash payments. Contributions are invested with the CalPERS investment portfolio. Earnings on these funds are tax-deferred. The annual limit on the amount of additional contributions the member can set aside is 25 percent of taxable gross earnings or \$30 thousand, whichever is less.

Member Home Loan Program

The Member Home Loan Program funds mortgages to eligible CalPERS members for a home purchase with a minimal down-payment requirement. Members also have the option of borrowing against their retirement accounts to fund the 5 percent down-payment requirement. Thus, the program can effectively provide 100 percent home financing.

Long-Term Care Program

The Long-Term Care Program allows members to contract for long-term care insurance at affordable rates. California public employees can cover themselves, their spouses, their parents, and their parents-in-law.



Glossary Of Terms

Active Employee — A person currently employed by the State of California or a CalPERS contracting agency (see Public Agency).

Actuarial Interest Rate — The interest rate fixed by the Board for purposes of actuarial valuations of the System's assets and liabilities.

Actuary — A person who statistically calculates risks, premiums, life expectancies, etc.

Allowance — Monies issued monthly to the annuitant.

Annuitant — A retiree, survivor of the retiree or beneficiary of the retiree receiving an allowance from CalPERS.

Annuity — A payment of a fixed sum of money issued to an annuitant.

Association Plan — A preferred provider health plan (PPO) that restricts enrollment to members of a specific association. Membership in the association usually requires payment of monthly membership dues. Examples are: California Correctional Peace Officers Association (CCPOA), Peace Officers Research Association (PORAC), California Professional Firefighters' Association (CPFA) and California Highway Patrolmen (CAHP).

Basis Point — A unit of measurement equal to 1/100 of one percent.

Benefit Factor — A percentage determined by a member's retirement formula and age that is applied to the member's final compensation to determine his or her retirement allowance.

Board — The CalPERS Board of Administration.

Carrier — A health plan approved by the Board.

COBRA — Consolidated Omnibus Budget Reconciliation Act (federal legislation), which allows an employee and/or family member to continue their group

health plan enrollment when coverage is mandatorily lost. Examples of mandatory loss of coverage include separation from employment, marriage of a dependent, a dependent attaining age 23, divorce or legal separation. Coverage can continue at a cost of 102 percent of the premium for a period of 18 months for an employee and a period of 36 months for a dependent.

Contracting Agency — A public agency, school district, special district, or county that contracts for retirement and/or health benefits under the CalPERS program (see Public Agency).

Co-payment — The amount paid by the employee for a service provided by a health care provider.

Deferred Group — A special group of enrollees including constitutional officers, legislators and certain exempt employees separating from employment. (See deferred retirement.)

Deferred Retirement — Refers to a legislative employee, legislator or judge who separates but does not directly retire. Legislators or legislative employees who separate with 10 years of service credit that includes two years of service as an exempt employee may continue their health coverage under the group plan by paying direct to the carrier. If the employee was not yet age 40 at the time of separation, the deferred retiree will receive the employer's (State) share of the premium at retirement if the payments have been continuously made without interruption to the carrier. Those who were age 40 or older at separation are not required to pay direct in order to receive the employer's (State) share of the premium at retirement.

Dependent — Those individuals in a subscriber's family unit who meet the criteria of the definition of "eligible" family member.

Disability — An inability to substantially perform the duties of the member's job by reason of physical or mental impairment determined to be permanent or of an extended and uncertain duration.

DPA — Department of Personnel Administration. The state agency that represents the Administration in collective bargaining negotiations with state employees. Also, administers Flex, dental, and vision benefit programs for state employees.

ERISA (Employee Retirement Income Security Act of 1974) — Federal law that regulates private retirement plans and specifies certain criteria that public plans must meet in order not to be subject to the bulk of ERISA's provisions. ERISA requires plan administrators to have a fiduciary responsibility and operate under the prudent expert standard.

Fee-For-Service — A plan that has an established provider network but allows the member the freedom to go to any doctor with the proviso that the plan will generally pay less if the member chooses a non-network doctor. (See PPO-Preferred Provider Network.)

Fiduciary Trust/Responsibility — The power entrusted to a person or entity (fiduciary) to manage money or property for another person. Fiduciary responsibility requires that actions taken on behalf of the principal will be beneficial to the principal's interests.

Final Compensation — An amount defined by statute upon which a member's benefit factor is applied to determine the member's pension allowance. For state members, this is the highest annual compensation earnable by the state member during 12 consecutive months prior to retirement. Depending on their contracts, other members' final compensation may be the highest annual compensation earnable by the member during three consecutive years prior to retirement.

Golden Handshake — A term referring to an early retirement incentive program that provides the member with additional age and/or service credit enabling the member to receive a higher pension allowance earlier than otherwise possible.

HBD-12 — Form used to enroll, change, or cancel enrollment or elect not to enroll in a health benefit plan.

HMO — Health Maintenance Organization. A plan that provides health benefits from specific doctors and hospitals that contract with the plan. Usually there are no deductibles to be met, no claim forms to be completed by the enrollee, and a geographically restricted service area.

Institutional Investor — An organization whose primary purpose is to invest its own assets or those held in trust by it for others. Includes pension funds, investment companies, universities, and banks.

JRS — Judges' Retirement System

LRS — Legislators' Retirement System

Member Provider — Physicians or hospitals that contract with a health plan provider (carrier) to provide benefits for that health plan.

Open Enrollment — A period of time determined by the Board in which eligible members may enroll, change plans, or add eligible family members who are not currently enrolled without regard to preexisting conditions.

Option — An agreement, or privilege, which conveys the right to buy (receive) or sell (deliver) a specific security or property at a stipulated price and within a stated period of time. If not exercised during that time, the money paid for the option (but no more than that amount) is forfeited.

PA or Public Agency — Public agencies are cities, schools, counties and special districts that contract with CalPERS for the retirement and/or health program.

PEMHCA (Public Employees' Medical and Hospital Care Act) — The CalPERS Health Benefits Program as authorized by the Government Code commencing with Section 22751.

PERL (California Public Employees' Retirement Law) — The section of the Government Code that governs CalPERS commencing with Section 20000.

PERS (Public Employees' Retirement System) — Often used in place of CalPERS.

Plenary — Full, complete, absolute.

Portfolio — The mix and composition of an investor's holdings among different classes of securities such as bonds, mortgages, and common stocks.

PPO (Preferred Provider Organization) — A health plan with an established provider network that allows maximum benefit coverage when using its own contracted physicians and hospitals. Plan may reduce benefits when using providers outside of the set provider network.

Preexisting Condition — Term meaning a medical condition that existed prior to enrollment in a health plan.

Preferred Provider, Member Provider — Physicians or hospitals that contract with a health plan provider (carrier) to provide benefits for that health plan.

Provider — A doctor, laboratory, or other medical group which provides services to patients.

Public Agency — An agency, school district, county, special district or local authority of/or public body within the state.

R.E.I.T. (Real Estate Investment Trust) — A trust, similar to a mutual fund, which invests in real estate loans (mortgages and trust deeds) and/or has equity interests in real estate.

SCO — State Controller's Office.

Service Credit — Credited years of employment with a CalPERS employer. The amount of service the member has credited to his CalPERS account.

STRS — State Teachers' Retirement System.

Supplement to Medicare Plan — For CalPERS retirees whereby Medicare becomes the primary payer of claims and the supplemental plan covers any costs not paid by Medicare.

Survivor — A dependent eligible to receive an allowance upon a member's death.

Trust Fund — A fund whose assets are managed by a trustee or a board of trustees for the benefit of another party or parties. The fund is governed by applicable state and federal law and the instrument establishing the trust.

Unfunded Liability — The accumulated cost of benefits previously earned by active and retired members but not yet collected or paid.

Vested/Vesting — The right to specified benefits granted to eligible employees after a fixed period of employment and membership in the pension system.

Warrant — A check or voucher that an employee or retiree receives each month as compensation for his work or retirement benefits.

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CalPERS Board of Administration Legislative Policy Standards

CalPERS Mission

Our Mission is to advance the financial and health security for all who participate in the System. We will fulfill this mission by creating and maintaining an environment that produces responsiveness to all those we serve.

To fulfill its Mission and to provide consistency in its policies, the CalPERS Board of Administration shall adopt Legislative Policy Standards. In adopting these standards, the Board shall perform its duties for the exclusive purposes of providing benefits to participants and their beneficiaries, minimizing employer retirement contributions, and defraying reasonable expenses of administering the System. The Board's duty to its participants and beneficiaries shall take precedence over any other duty.

Advocate/Activist: Lobby for changes; actively seek to shape the external environment.

Sponsor/Support:

Proposals which give the Board increased flexibility in its administration;

- Proposals which provide remedies for inequitable, unfair or discriminatory benefits;
- Proposals which correct structural or deficiencies in program design;
- Retirement and health program changes developed through a collaborative effort where the opinions of all relevant stakeholders are considered;
- Proposals which add protection to the trust;
- New retirement contract benefit options when they include a proposal to consolidate contract options or promote the concept of Board-approved "pooling."

Innovator/Advisor: Design and recommend changes in benefits and new products, give the cost implications of proposed changes with alternatives when appropriate, and provide an unbiased analysis including the pros and cons of each proposal.

Neutral or No Position:

- Proposals to change retirement benefits which are appropriately subject to collective bargaining and are consistent with other Board policies;
- Proposals which do not significantly affect the benefit interests of our stakeholders and which do NOT significantly impact CalPERS benefits or the administration of the System;
- Proposals which have conflicting policy implications;
- Health care industry mandates which add benefits or coverages which are already included in the PEMHCA standardized health benefit package or are not detrimental to the program;
- Health benefit proposals which mandate the health care industry to OFFER (rather than require) to the purchaser (CalPERS) benefit packages or design changes.

Protector: Act when CalPERS is threatened, when mandates are proposed, or limitations arise to the Board's Authority.

Oppose:

- Proposals which threaten the Trust;
- Proposals which deprive members of vested benefits and do not provide an equivalent, compensating benefit;
- Any change which would endanger the tax-exempt status of CalPERS programs and the deferred treatment of income tax on employer contributions and related earnings;
- Any investment mandate or restriction on the Board's investment authority;
- Any benefit change which results in an unfunded liability and does not provide for proper actuarial funding;
- Proposals which create a benefit change for a subcategory within a member classification;
- Proposals which reduce or limit the Board's administrative authority;

- Proposals which threaten the integrity of the PEMHCA purchasing pool concept or would result in adverse selection between plans;
- Proposals which mandate benefits to be included in CalPERS PEMHCA program.

Note: “Stakeholders” means those people or entities who have an interest in the performance of the System, for example, customers (members, beneficiaries, and employers), representative organizations, the Legislature, health providers, taxpayers.

These Legislative Policy Standards are designed to give general policy principles to guide staff in formulating positions on legislative proposals and in no way binds the CalPERS Board of Administration from adopting a differing policy position on any specific legislative proposal, as such proposals are presented to the Board.

*Approved by the CalPERS Board of Administration
June 19, 1996*



Legislative Highlights

1995-1996 Legislative Session

CalPERS Successfully Sponsored legislation

AB 166, Chapter 318 (Cannella): Urgency legislation to extend, until June 30, 1999, a program to permit school districts to provide Medicare coverage to members of the State Teacher's Retirement System hired prior to April 1, 1986. The program is administered by CalPERS.

SB 713, Chapter 171 (Maddy): Urgency legislation to revise various provisions of the revenue and Taxation code related to the treatment of property tax. The bill includes CalPERS-sponsored, technical cleanup to SB 657, Chapter 498, Stats of 1995, related to possessory interest tax.

SB 1494, Chapter 482, (Dills): Provides technical cleanup language needed for the Judges' Retirement System II in regards to health benefits rights.

SB 1859, Chapter 906, (Alquist): Makes technical, nonsubstantive changes to the PERL following recodification in 1995.

SB 1877, Chapter 680, (Rogers): Changes the law to comply with federal statute concerning refunds for members electing to participate in the state Second Tier retirement plan. Also provides compliance language for Federal mandates related to the Uniformed Services Employment and Reemployment Rights Act of 1994.

SB 1945, Chapter 502, (Craven): Precludes a public agency that has filed bankruptcy from rejecting or reassigning its CalPERS retirement contract(s). Also allows CalPERS to make its Long-Term Care Program available to all California state and local public employees and eligible family members.

Other Legislation

AB 2400, Chapter 1164, (Miller): Provides that employees who become members of CalPERS, whose employment is subsequently reduced to less than 50 percent of a year of service credit in a fiscal year and who are not vested in CalPERS could be placed in an alternative retirement

system if the employer has established one and the represented employees have agreed through collective bargaining to be subject to this action.

AB 3478, Chapter 1120, (Aguiar): Urgency legislation to allow the spouse of any deceased local safety firefighter or peace officer who died in the line of duty to receive their pre-retirement monthly death benefit for life on or after the effective date of this bill regardless of their current or future marital status. Also requires local employers to continue to provide employer-sponsored health benefits to the eligible spouses and dependents of local safety firefighters or peace officers who die in the line of duty.

SB 2151, Chapter 914, (Hughes): Provides for the purchase of service credit for approved retroactive and future maternity/paternity leaves of absence for all active members of the system.

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